

MEMORANDUM

TO: Board of Regents

FROM: Board Office

SUBJECT: Preliminary FY 2001 General Fund Operating Budget - Iowa State University

DATE: June 5, 2000

Recommended Action:

1. Consider the preliminary FY 2001 general fund operating budget for Iowa State University in the amount of \$397,915,455.
2. Approve the FY 2000 budget ceiling increase of \$269,671 for the Agriculture and Home Economic Experiment Station for a revised FY 2000 budget of \$40,235,541, and \$83,574 for the Cooperative Extension Service for a revised FY 2000 budget of \$31,709,285.

Executive Summary:

In accordance with the Board's strategic plan, Iowa State University is presenting its preliminary FY 2001 general operating fund budget. In July, ISU will present its final FY 2001 general fund operating and restricted fund budgets to the Board for approval.

The University's FY 2001 general fund budget, which includes eight different appropriation units, totals \$397.9 million. The FY 2001 state operating appropriations for the University were \$0.9 million less than the amounts originally appropriated to the University for FY 2000.

The University's general education operations are accounted for within the General University unit for which the proposed budget is \$317.7 million. FY 2001 state appropriations for this general university budget unit total \$202.5 million, which include (1) an increase of \$0.2 million to its base (FY 2000 original) operating appropriations, (2) \$5.5 million in appropriations for salary increases (which is \$2.8 million less than full funding to implement the state salary policy of 4%, excluding health insurance), and (3) \$0.6 million for workers' compensation to reflect a change in state funding policy and distribution methodology, but does not represent new funding for the University.

When the legislature combined the General University and the Plant Sciences appropriations, intent language was added in the education appropriations bill that allows the University to expend an additional \$2.5 million for its Plant Science initiative, for a total of \$4.7 million. The appropriation did not include incremental funding specifically for this spending authorization, but gives the University flexibility in managing its base appropriations reduction. The University, though, is committed to spending \$4.7 million for its Plant Sciences initiative.

The University proposes to use most tuition revenues generated by the 4.3% rate increase to cover the salary shortfall and other non-discretionary operating cost increases (maintenance of quality rather than improvement of quality). Of the \$7.6 million planned reallocations (2.0% of FY 2000 revised General University budget), the University proposes to use \$3.5 million of the reallocations to address the budget shortfall and \$4.1 million for programmatic reallocations.

The University has allocated its preliminary budget by its strategic planning goals of learning (\$199.0 million), discovery (\$145.2 million), and engagement (\$53.7 million).

Iowa State University is requesting approval of a budget ceiling adjustment for FY 2000 of \$269,671 for the Agriculture and Home Economic Experiment Station for a revised FY 2000 budget of \$40.2 million, and \$83,574 for the Cooperative Extension Service for a revised FY 2000 budget of \$31.7 million. The federal funding was higher than estimated. ISU is proposing to use these additional funds for supplies and services. ISU submitted this information to the Board Office in May but it was inadvertently omitted from docket materials.

Background:

In May, Iowa State University presented a conceptual budget for FY 2001 to the Board. This preliminary budget is consistent with what was presented at that time. The University plans to fund salary increases in line with state salary policy of approximately 4% and proposes to use tuition revenue and some reallocations to address the salary and operating budget shortfall resulting from state appropriations that were less than expected.

Development of the ISU preliminary budget is based on the Board's and the institution's strategic plans, the Board's FY 2001 appropriation request to the Governor and General Assembly, and actions of the General Assembly and the Governor. The Board's budget process for the institutions incorporates strategic planning, reallocations, and state appropriations.

Analysis:

Operating Budget

The FY 2001 preliminary general fund operating budget for Iowa State University is \$397,915,455 which represents a \$19,841,415 (5.2%) increase over the revised FY 2000 budget after mandated deappropriations and budget ceiling adjustments. The university's budget is distributed among the following units:

| | <u>Total Budget</u> | <u>Direct State Appropriations*</u> |
|-----------------------|-------------------------|---|
| General University | \$317,674,798 | \$202,542,308 |
| Experiment Station | 41,159,969 | 37,029,596 |
| Cooperative Extension | 31,691,276 | 23,386,276 |
| IPRT | 4,474,108 | 4,474,108 |
| Special Purpose | <u>2,915,304</u> | <u>2,465,304</u> |
| Total | \$397,915,455 | \$269,897,592 |

*Does not include indirect appropriations of \$200,000 for Pesticide, \$150,000 for Farm Hotline, and \$100,000 for John's Disease Research.

The summary sheet on the last page of this docket memorandum details the budget by strategic planning goal, revenue source, and allocation of new revenues and reallocations.

State Appropriations

The FY 2001 direct state operating appropriations for ISU total \$269,897,592, a net increase of \$10,062,569 (3.9%) over the revised FY 2000 state appropriations after the mandated FY 2000 deappropriation. This includes partial funding for salaries and workers' compensation, and decreased funding for general university and special purpose appropriations.

Reallocations

The FY 2001 budget reflects reallocations totaling \$7.6 million. The ISU internal reallocations represent 2.0% of the revised FY 2000 budget and are consistent with the Board's five-year program for reallocations averaging 2% per year. For FY 2001, ISU proposes to use \$3.5 million of the reallocations to address the budget shortfall and \$4.1 million for programmatic reallocations .

ISU is still in the process of refining reallocations and will articulate the details in its final budget presented to the Board in July.

General University

The preliminary FY 2001 general fund operating budget for General University is \$317,674,798, a \$16,624,711 (5.6%) increase over the revised FY 2000 budget. The General University state appropriations of \$202,542,308 represent an increase of \$7,368,758 (3.8%) over the revised FY 2000 state appropriations after the mandated FY 2000 deappropriations. The new state appropriations reflect \$5.5 million for salary increases, and \$630,096 for worker's compensation.

During this past legislative session, the Legislature merged the line item appropriation for Plant Sciences into the General University fund for FY 2001. Previously, it was a separate appropriation unit.

Tuition and Fees

Iowa State University has projected tuition and fee revenues of \$8.7 million that includes an additional \$2.5 million due to revised accounting for all distance education and study-abroad programs within the General University budget unit. Previously, not all of these revenues were part of the General University unit. ISU proposes to use tuition and fee revenues to partially address the budgetary shortfall as follows:

- Approximately \$2.2 million toward mandatory cost increases including \$1.2 million for opening new buildings.
- \$1.8 million toward unfunded salary and benefit increases.

Other proposed allocations include student aid set-aside, research incentive support, and support for a limited number of over-enrolled courses. The University proposes to set aside \$2.2 million for pending commitments subject to the realization of the projected tuition.

Experiment Station

Over the past several years, the Iowa Agricultural and Home Economics Experiment Station at Iowa State University has focused its efforts of development in four areas: the fundamental life sciences; utilization of agricultural products; sustainable agriculture and environmental stewardship; and rural/economic development. These areas are critical to the maintenance and growth of health agricultural and agribusiness industries in Iowa and to the well being of Iowans.

The Experiment Station promotes research of strategic importance to Iowa's agricultural economy and has targeted efforts that will increase profitability of agriculture through more efficient and environmentally sound practices.

The preliminary FY 2001 general fund operating budget for the Experiment Station is \$41,159,969, which represents a \$924,428 (2.3%) increase over the revised

FY 2000 budget. The state appropriations of \$37,029,596 represent an increase of \$917,961 (2.5%) for salaries over the FY 2000 state appropriations.

Cooperative Extension

Iowa State University Extension provides research-based information and education primarily to Iowa citizens, and also to other university clients, nationally and internationally. As part of the land-grant mission of the university, Extension reflects the complexity of the university and is closely integrated with the research and teaching programs.

Extension draws on all the capabilities of the university as well as federal, state, and county government resources to provide a way to address regional and national issues that have local impact. Extension connects Iowa citizens to campus through its network of 107 field offices and an advanced communications system to help facilitate education opportunities and improve efficiency.

The preliminary FY 2001 general fund operating budget for the Cooperative Extension is \$31,691,276, which represents a \$18,069 (-0.1%) decrease over the revised FY 2000 budget. The state appropriations of \$23,386,276 represent a decrease of \$84,495 (-0.4%) over the FY 2000 state appropriations. While salaries increased \$564,998, the Fire Service Institute was transferred to the State Department of Public Safety resulting in a decrease \$590,591.

Institute for Physical Research and Technology (IPRT)

The Institute for Physical Research and Technology provides focused research initiatives through an array of research centers and laboratories designed to discover new scientific knowledge and to develop new technologies.

The priority goals of IPRT include: enhancing its strongest research programs by positioning them to attract continued funding streams; successful transfer of technology from research efforts to Iowa industry; attracting supplemental, more secure funding for non-Ames Laboratory research centers that currently rely on resources from the Department of Energy; and enhancing the educational mission of the science and engineering academic departments.

The preliminary FY 2001 general fund operating budget for the IPRT is \$4,474,108, which represents a \$98,693 (-2.2%) decrease over the revised FY 2000 budget. The entire budget is supported by state appropriated funds.

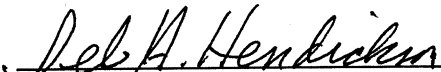
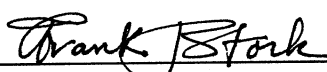
Special Purpose Appropriations

The preliminary FY 2001 general fund operating budget for the Special Purposes is \$2,915,304, which represents a \$209,038 (7.7%) increase over the revised FY 2000 budget for salaries. The Special Purpose Appropriations are as follows:

| | <u>FY 2000</u> | <u>FY 2001</u> | <u>% Change</u> |
|--|----------------|----------------|---------------------|
| Small Business Development Center | 1,259,638 | 1,220,417 | (3.1) |
| Leopold Center | 574,729 | 579,843 | 0.9 |
| Research Park (ISIS) | 392,822 | 385,271 | (1.9) |
| Livestock Disease Research | 279,077 | 279,773 | 0.2 |
| Subtotal | \$2,506,266 | \$2,465,304 | (1.6) |
| Livestock, Agriculture, and Environment* | <u>200,000</u> | <u>450,000</u> | <u>125.0</u> |
| Total | \$2,706,266 | \$2,915,304 | (7.7) |

* Indirect state appropriations.

The direct state appropriations of \$2,465,304 represent a decrease of \$40,962 (-1.6%) over the FY 2000 state appropriations. The state appropriations of represent an increase of \$20,280 for salaries and a decrease of \$61,242 for the across the board reduction of 4% to economic development appropriation units.

 Approved: 
Deb A. Hendrickson Frank J. Stork
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IOWA STATE UNIVERSITY

FY 2001 General Fund Budget Summary

| STRATEGIC PLANNING GOALS | | | | ALLOCATIONS OF NEW REVENUES AND REALLOCATIONS | |
|---|-----------------------------|----------------------------|----------------------------|--|---------------------|
| Goal #1: | Learning | | \$198,957,728 | Compensation Increases (including annualization) | \$10,103,964 |
| Goal #2: | Discovery | | 145,239,141 | Mandatory Cost Increases | 2,888,247 |
| Goal #3: | Engagement | | <u>53,718,586</u> | Base Reduction (AES, CES, IPRT, SBDC, Res Park) | (1,058,424) |
| | TOTAL | | \$397,915,455 | Strategic Planning Initiatives (with one-time funds) | <u>13,055,502</u> |
| | | | | TOTAL | \$24,989,289 |
| SOURCE OF REVENUE | | | | MANDATORY COST INCREASES | |
| | <u>Original FY 2000</u> | <u>Revised FY 2000</u> | <u>Prelim. FY 2001</u> | | |
| State Approp* | \$263,347,051 | \$262,026,484 | \$270,347,592 | Graduate Tuition Scholarships | \$105,952 |
| Tuition and Fees | 94,051,537 | 94,051,537 | 102,791,490 | Library Materials Inflation | 283,333 |
| Reimb. Indirect Cost | 8,630,000 | 9,630,000 | 9,530,000 | Internet I Access Fee | 154,800 |
| Interest | 975,000 | 1,075,000 | 1,185,000 | Campus-wide Anti-virus Software License | 34,497 |
| Federal Support | 11,999,235 | 12,352,480 | 12,425,373 | Association Dues | 41,000 |
| Sales and Services | 262,000 | | 368,000 | Utilities | 124,512 |
| Other Income | <u>1,268,000</u> | <u>0</u> | <u>1,268,000</u> | Classroom Data Jacks | 20,000 |
| TOTAL | \$380,532,823 | \$379,135,501 | \$397,915,455 | Custodial Services | 22,500 |
| *Includes special purpose for Livestock Agriculture and the Environment received through another state agency: \$200,000 in FY00 replaced by \$450,000 in FY01. | | | | Access Control – Public Safety | 68,428 |
| | | | | State Auditor Charges | 26,675 |
| | | | | Accommodations for Student Disabilities | 50,000 |
| | | | | Postage & Parcel – Recruitment and Admissions | 19,200 |
| | | | | Learning Center Operations (Reiman Gardens) | 14,292 |
| | | | | Personnel Position Adjustments | 15,143 |
| | | | | Faculty Activity System Operating Cots | 40,000 |
| | | | | Internet I and II – Incr. Connectivity/Capacity | 600,000 |
| | | | | Opening New Buildings | 1,242,175 |
| | | | | Miscellaneous | 25,740 |
| | | | | TOTAL | \$2,888,247 |
| NEW REVENUES AND REALLOCATIONS | | | | STRATEGIC PLANNING INITIATIVES INCREASES (Excluding Mandatory Cost Increases) | |
| State Appropriations | | | \$7,000,541 | GOAL 1: Learning | 6,532,870 |
| Salary/Benefit Impr. (all budget units)* | 7,621,461 | | | Student Aid Set-Aside | 688,435 |
| General University | (2,282,496) | | | Student Scholarships (various recruitment initiatives) | 690,231 |
| Plant Sciences | 2,470,000 | | | Distance Education – Accounting of Tuition Revenue | 1,210,301 |
| Experiment Station | (68,000) | | | Study Abroad Program – Account of Tuition Revenue | 666,000 |
| Cooperative Extension | (740,591) | | | International Student Billing Services –Fee Income | 20,000 |
| IPRT | (183,625) | | | Addressing Overenrolled Classes (LAS) | 250,000 |
| Special Purpose: | | | | Enrollment Services Strategic Initiatives | 224,715 |
| SBDC | (50,495) | | | Programmatic Reallocations (Estimated) | 1,500,000 |
| Research Park | (15,713) | | | Strategic Initiatives (Pending Commitments) | 1,283,188 |
| Livestock Ag & Environment (one-time) | 250,000 | | | GOAL 2: Discovery | 4,766,138 |
| Tuition and Fees** | | | 8,739,953 | Center of Excellence in Fundamental Plant Science | 2,470,000 |
| Federal Support | | | 426,138 | Johne's Disease Research (LDR – one-time funds) | 100,000 |
| Reimbursed Indirect Cost | | | 900,000 | Research Incentive/infrastructure | 270,000 |
| Sales and Services | | | <u>316,000</u> | Federal Support to AES | 276,138 |
| | | | | Programmatic Reallocations (Estimated) | 1,078,902 |
| Revenue Increase | | | 17,382,692 | Strategic Initiatives (Pending Commitments) | 571,098 |
| Internal Reallocations | | | | GOAL 3 Engagement | 1,756,494 |
| Reallocation to Cover Shortfall | | | 3,544,848 | Educational Assistance Hot Line (CES – one-time) | 150,000 |
| Programmatic Reallocations | | | <u>4,061,811</u> | Distance Education – Accounting of Tuition Revenue | 605,150 |
| Total Internal Reallocations | | | <u>7,606,657</u> | Reiman Gardens Operations (Learning Center) | 30,000 |
| TOTAL | | | \$24,989,289 | Federal Support to CES | 150,000 |
| | | | | Programmatic Reallocations (Estimated) | 482,820 |
| | | | | Strategic Initiatives (Pending Commitments) | <u>338,524</u> |
| | | | | TOTAL | \$13,055,502 |
| * Includes ISU share of Lakeside Lab (\$3,004) | | | | | |
| ** Of this amount, \$2,481,451 represents revised accounting of revenue for all distance education and study-abroad programs into the General University fund. | | | | | |